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Efficiency + Demand Management

COUNCIL

Advancing Our Clean Economy

Monthly Member Readout

April 4, 2025

REC

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Today's Agenda

- **Issues/Topics**
  - CEDMC Spring Symposium - Registration is Open!
  - CEDMC All Member Call - Energy Efficiency Industry at Risk in California
  - Lobby Day Recap March 18
  - EE Industry at Risk in California - CEDMC Funding Request - Update
  - Media Update
  - CA Auditor General Report on EE (Report 2023-127)
  - (Reference to EE and DR-DER Call 03.04.2025?
  - CAISO Demand & DEM Integration WG update (mPDR progress)
  - Recent Filings

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Registration is Open!

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The Council's 2025 Spring Symposium: Empowering Local Solutions:

California's Leadership in Clean Energy

- Date: Wednesday, May 14, 2025
- Time: 9:00 am – 5:00 pm, with reception until 6:30 pm (Registration opens at 8:00 am)
- Location: Norma Hertzog Community Center, Costa Mesa, CA (In Person Only)
- *You are also invited to an informal networking gathering the evening before*
- **Click here to Register for the Early Bird Rate!** (price goes up on April 14)

Agenda Topics:

- The **Keynote Speaker** will talk about Federal pressure, State priorities, the need for decarbonization, equity, resilience, and affordability, the importance of a strong industry and workforce partner, and the role of local government and utilities.
- **Session 1:** Balancing Policy Priorities and Costs: Insights from Across the Country on the Energy Transition
- **Session 2:** Rate Affordability and Energy Decarbonization: California's Priorities and Concerns
- **Session 3:** Utilities' Vision: Ensuring an Affordable Clean Energy Future
- **Session 4:** The Role of Regional Government Coalitions: Collaborating for an Equitable Energy Transition
- **Session 5:** Prioritizing Community Needs: Ensuring Community-Centric Program Design

We will have two half hour networking breaks, plus a reception, giving attendees ample time to network with colleagues from across the industry. Subjects to change, further details coming soon at https://cedmc.org/events/spring-symposium/

CEDMC All Member Call - Energy Efficiency Industry at Risk in California

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The Council thanks everyone who attended the All-Member Call—EE Industry at Risk in California in early March to discuss the challenges and critical actions we must take this year to protect our Members' interests while defending the industry. Resources are required to win campaigns, and we must raise sufficient funding to successfully engage in the legislative process until the end of the session on September 12.

We are halfway to achieving our $150,000 goal. The budget we have set is based on meeting our goals.

Category	Request
201+ Employees	$6,000
101-200 Employees	$5,000
31-100 Employees	$2,500
1-30 Employees	$1,500

Contributions can be accepted via credit card through Square: Click Here to Contribute! If you would rather be invoiced, please reply to this message or email admin@cedmc.org with the amount. Please know the Council truly appreciates your continuing commitment to our organization.

Thank You to Those Who Contributed!

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kW ENGINEERING

FRANKLIN ENERGY

resource innovations

Ecology Action | Community Climate Solutions

FRONTIER energy

Sealed

the Energy Coalition

Lobbyist Day Recap

We had a very successful Lobby Day on Tuesday, March 18. Our calendar included meetings with the offices of six Senators and nine Assembly members, representing ten Democratic Districts and five Republican districts. In addition to our lobbyists, five other CEDMC Members joined me for the day. In some cases, we spoke directly with the Legislators, and in other meetings, we met with Legislative Directors.

For all meetings, we delivered a consistent message:

1. As legislators grapple with the affordability crisis, keep in mind energy efficiency is the lowest-cost and cleanest resource for meeting energy and climate goals.

2. According to the CPUC's own EE program data , each dollar spent on EE programs avoids $8.11 in power and transmission costs to all energy consumers, and

3. Reducing or eliminating EE programs guarantees ratepayers will have higher bills, because all other resources are more expensive than EE. These programs account for a very small portion of the average bill, typically 1-2%.

Our leave-behind documents included an overview of CEDMC, our mission, and Member organizations. Also highlighted were the 302,176 Energy Efficiency jobs in California for 2024, including a breakdown of those jobs for each legislator's district. The CPUC CEDARS Data for 2023 was provided. Lastly, we shared our coalition's "Energy Efficiency and Affordability: MYTH vs. FACT" 2-page flyer.

Media Update

Intoduction of priority bills

LA Times: Column: Time for California to get serious about cheaper, cleaner energy
February 27, 2025

Capital Public Radio segment on utility rates + Irwin/Wahab bills [audio]
February 24, 2025

Sacramento Bee: California lawmakers apply pressure over high electric bills. 'Ratepayers are not a bank'
February 21, 2025

San Diego Union Tribune: Two bills introduced in Sacramento aim to lower utility bills. Will they work?
February 20, 2025

KQED: California Lawmakers Aim to Lower Electricity Bills, but They'll Face Tough Choices
February 20, 2025

Politico: The drip-drip of energy affordability
February 20, 2025

Reacting to PG&E rate increases

Media Update (Cont.)

Reacting to PG&E rate increases

KCRA: PG&E's political donations have tripled. Lawmakers want to make sure customers aren't paying for it at all

March 25, 2025

Politico Pro: California lawmaker seeks to trim utilities' profit margins

March 24, 2025

ABC 7 Bay Area: PG&E seeking rate hike so shareholders can profit more. Here's how much it could cost you

March 21, 2025

KCRA: PG&E asks to raise rates for California customers so it can pay investors more

March 20, 2025

A full list of the media clips can be found here.

Media Update (Cont.)

Other coverage:

The State Auditor's report on energy efficiency programs received coverage in Politico as well as by a conservative columnist named Susan Shelley in Southern California News Group newspapers.

Next steps:

We are contemplating the right response to recent press coverage about energy efficiency programs.

In order to continue the steady drumbeat on our priority legislation, we are in need of customers who can tell their first-hand accounts of how utility rate increases have hurt their well-being. For instance, it can be a senior on a fixed income or single mom struggling to pay their bills. If any CEDMC members have connections to folks like this, please let us know.

Other coverage:

The State Auditor's report on energy efficiency programs received coverage in Politico as well as by a conservative columnist named Susan Shelley in Southern California News Group newspapers.

Next steps:

We are contemplating the right response to recent press coverage about energy efficiency programs.

CA Auditor General Report on EE (Report 2023-127)

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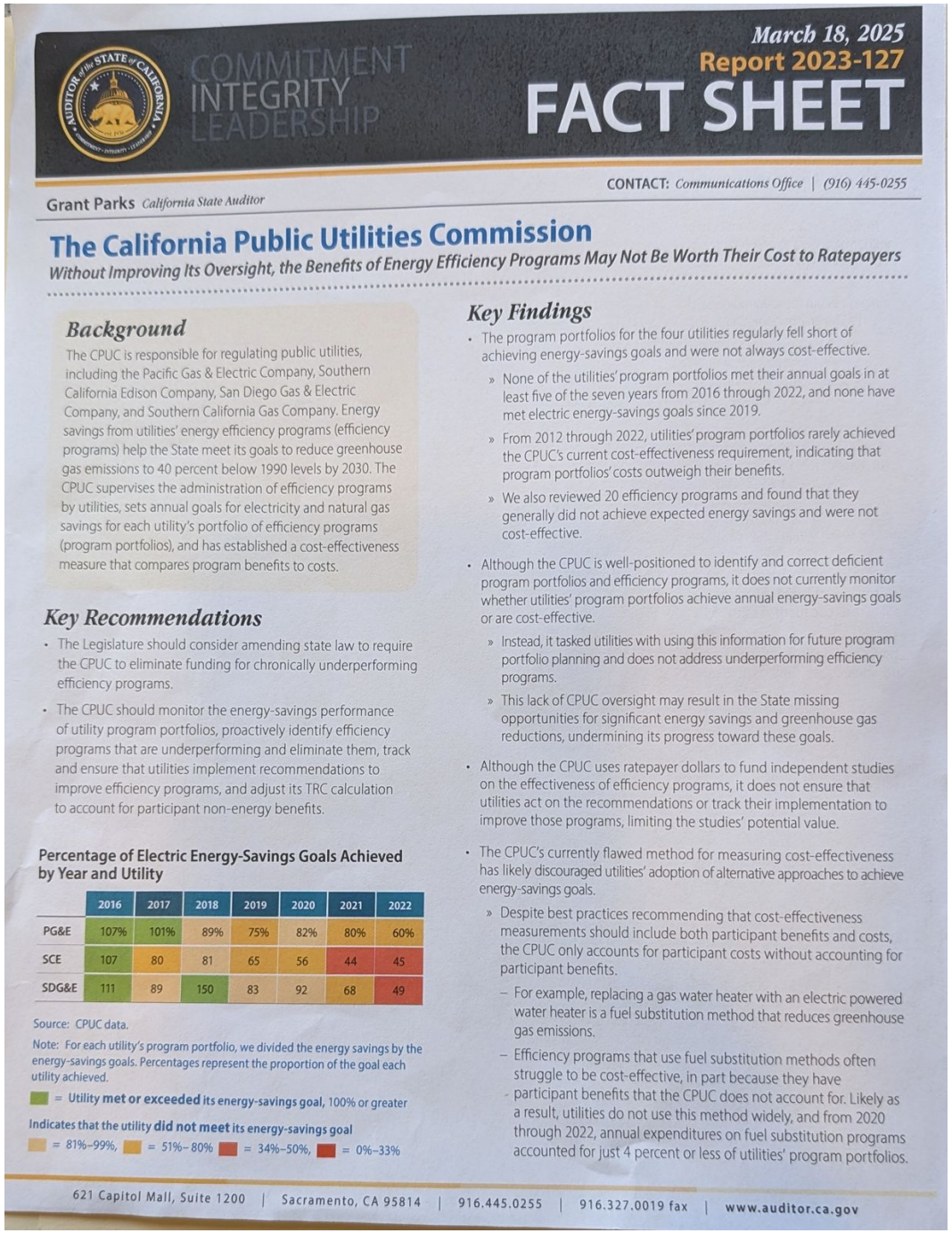

COMMITMENT INTEGRITY LEADERSHIP

March 18, 2025
Report 2023-127

FACT SHEET

CONTACT: Communications Office | (916) 445-0255

Grant Parks California State Auditor

The California Public Utilities Commission

Without Improving Its Oversight, the Benefits of Energy Efficiency Programs May Not Be Worth Their Cost to Ratepayers

Background

The CPUC is responsible for regulating public utilities, including the Pacific Gas & Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company. Energy savings from utilities' energy efficiency programs (efficiency programs) help the State meet its goals to reduce greenhouse gas emissions to 40 percent below 1990 levels by 2030. The CPUC supervises the administration of efficiency programs by utilities, sets annual goals for electricity and natural gas savings for each utility's portfolio of efficiency programs (program portfolios), and has established a cost-effectiveness measure that compares program benefits to costs.

Key Recommendations

- The Legislature should consider amending state law to require the CPUC to eliminate funding for chronically underperforming efficiency programs.
- The CPUC should monitor the energy-savings performance of utility program portfolios, proactively identify efficiency programs that are underperforming and eliminate them, track and ensure that utilities implement recommendations to improve efficiency programs, and adjust its TRC calculation to account for participant non-energy benefits.

Key Findings

- The program portfolios for the four utilities regularly fell short of achieving energy-savings goals and were not always cost-effective.
  - » None of the utilities' program portfolios met their annual goals in at least five of the seven years from 2016 through 2022, and none have met electric energy-savings goals since 2019.
  - » From 2012 through 2022, utilities' program portfolios rarely achieved the CPUC's current cost-effectiveness requirement, indicating that program portfolios' costs outweigh their benefits.
  - » We also reviewed 20 efficiency programs and found that they generally did not achieve expected energy savings and were not cost-effective.
- Although the CPUC is well-positioned to identify and correct deficient program portfolios and efficiency programs, it does not currently monitor whether utilities' program portfolios achieve annual energy-savings goals or are cost-effective.
  - » Instead, it tasked utilities with using this information for future program portfolio planning and does not address underperforming efficiency programs.
  - » This lack of CPUC oversight may result in the State missing opportunities for significant energy savings and greenhouse gas reductions, undermining its progress toward these goals.
- Although the CPUC uses ratepayer dollars to fund independent studies on the effectiveness of efficiency programs, it does not ensure that utilities act on the recommendations or track their implementation to improve those programs, limiting the studies' potential value.
- The CPUC's currently flawed method for measuring cost-effectiveness has likely discouraged utilities' adoption of alternative approaches to achieve energy-savings goals.
  - » Despite best practices recommending that cost-effectiveness measurements should include both participant benefits and costs, the CPUC only accounts for participant costs without accounting for participant benefits.
    - For example, replacing a gas water heater with an electric powered water heater is a fuel substitution method that reduces greenhouse gas emissions.
    - Efficiency programs that use fuel substitution methods often struggle to be cost-effective, in part because they have participant benefits that the CPUC does not account for. Likely as a result, utilities do not use this method widely, and from 2020 through 2022, annual expenditures on fuel substitution programs accounted for just 4 percent or less of utilities' program portfolios.

Percentage of Electric Energy-Savings Goals Achieved by Year and Utility

	2016	2017	2018	2019	2020	2021	2022
PG&E	107%	101%	89%	75%	82%	80%	60%
SCE	107	80	81	65	56	44	45
SDG&E	111	89	150	83	92	68	49

Source: CPUC data.

Note: For each utility's program portfolio, we divided the energy savings by the energy-savings goals. Percentages represent the proportion of the goal each utility achieved.

= Utility **met or exceeded** its energy-savings goal, 100% or greater

Indicates that the utility **did not meet** its energy-savings goal

= 81%–99%, = 51%–80% = 34%–50%, = 0%–33%

621 Capitol Mall, Suite 1200 | Sacramento, CA 95814 | 916.445.0255 | 916.327.0019 fax | www.auditor.ca.gov

MONEY POORLY SPENT: California utilities' energy efficiency programs are rarely cost-effective for ratepayers, according to a state audit out today.

The report also found that none of the major investor-owned utilities' efficiency program portfolios have met their energy-savings goals since 2019.

That's partly because the utilities (Pacific Gas & Electric, Southern California Edison, San Diego Gas & Electric and Southern California Gas Co.) are beginning to exhaust more straightforward energy-saving approaches, and partly because state standards are getting stronger. (Though the report also notes that the CPUC's metrics miss some of the programs' benefits.)

The report will likely serve as fodder for affordability-minded lawmakers like Assemblymember **Cottie Petrie-Norris**, who proposed a one-time $30 bill credit last year on the back of cuts to state programs for school HVAC systems and solar systems and said this year that she wants to target underperforming programs. — ***BB***

Outline of Response to CA Auditor General Report on EE

The State Auditor's report underscores the value of energy efficiency and its importance in achieving California's public policy goals. Notably, the report highlights that not all the benefits of energy efficiency have historically been considered, and that the CPUC has not adequately performed its oversight functions to ensure that energy efficiency programs are being held to the highest standards.

- The report repeatedly acknowledges the benefits of energy efficiency for California.
- The findings suggest that with better oversight and a full evaluation of benefits, efficiency programs will deliver even greater benefits for Californians.
- The audit makes clear that the CPUC needs to take more accountability to ensure that the benefits of energy efficiency programs are fully maximized.
- The audit also makes clear that the current method to calculating cost-effectiveness does not make sense and has caused under-investment in EE and misallocation of program spend.
- We agree with the core recommendations, in particular that:
  - The cost-effectiveness test be revised to reflect all the benefits of energy efficiency (including participant benefits), ensuring a fair evaluation of programs.
  - The PUC should promptly implement recommendations from independent program evaluations and EM&V best practices.
- At the end of the day, the report is best understood as a critique of cost tests such as the Total Resource Cost test (TRC) - a position long supported by CEDMC and one consistent with California's move toward a TSB approach for evaluating efficiency.

Outline of Response to CA Auditor General Report (Cont.)

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Supporting Quotes:

- *"The CPUC's currently flawed method for measuring cost-effectiveness has likely discouraged utilities' adoption of alternative approaches to achieve energy-savings goals."*
- *"Despite best practices recommending that cost-effectiveness measurements should include both participant benefits and costs, the CPUC only accounts for participant costs without accounting for participant benefits."*
- *"The approach the CPUC takes to measure cost-effectiveness…discourage(s) utilities from implementing certain efficiency programs… We found that the TRC calculation does not include certain non-energy benefits realized by the participants of efficiency programs."*
- *"Efficiency programs that use fuel substitution methods often struggle to be cost-effective, in part because they have participant benefits that the CPUC does not account for."*
- *"Energy savings from utilities' energy efficiency programs (efficiency programs) help the State meet its goals to reduce greenhouse gas emissions to 40 percent below 1990 levels by 2030."*

Outline of Response to CA Auditor General Report (Cont.)

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Secondary argument(s):

The report covers only 20 programs out of hundreds statewide and this runs the risk of misrepresenting overall performance. As the report acknowledges, the CPUC focuses on portfolio-level performance. Not every single program needs to individually achieve high cost-effectiveness under California law. What matters is the overall impact and value provided by the full range of programs, not just isolated performance. And there's a good reason for this: certain programs, like those assisting low-income families, can be more expensive but deliver critical societal benefits that go beyond energy savings alone.

The California Energy Data and Reporting System (CEDARS) shows conclusively that the overall energy efficiency portfolio is cost-effective (even under the TRC metric criticized by the State Auditor's report) - and it's confusing that this reality isn't reflected in the Auditor General's report.

Even with one eye closed, the numbers still clearly show energy efficiency works. We agree with the report that what we need to do now is tell the full story, eyes wide open, capturing all the benefits that matter most to California families. Bottom line: energy efficiency delivers real savings for California—even though we've been measuring it with one eye closed. We're not even telling the whole story yet, and efficiency still comes out ahead.

We've only been telling half the story of energy efficiency—but even that half shows clear savings for Californians. Now picture the power of the full story. Because as the report correctly notes, we aren't counting benefits of energy efficiency such as cleaner air, healthier families, and more comfortable homes.. Add these in, and energy efficiency isn't just valuable; it's indispensable.

Coalition Letter

March 11, 2025

The Honorable Josh Becker
Chair, Senate Committee on Energy, Utilities and Communications
1021 O Street, Suite 3350
Sacramento, CA 95814

Subject: Joint Comments on Oversight Hearing to Address Electricity Utility Bill Affordability While Advancing the State's Clean Energy Goals: Energy Efficiency Programs are Vital to an Equitable Clean Energy Transition and Maintaining Grid Reliability

Dear Senator Becker,

We, the undersigned organizations, write to thank you for focusing on ratepayer affordability during your first hearing of 2025. Our organizations represent a broad cross section of local governments, community choice aggregators, regional energy networks, businesses, and non-profit organizations that are committed to the state's clean energy transition and who share the concern that unaffordable electric bills could undermine our important efforts to stem the impacts of climate change through clean electricity. We believe the state can and must advance both climate progress and electric affordability for all Californians, and energy efficiency programs are a vital tool for gaining ground in both areas.

Throughout the course of your recent oversight hearing, several stakeholders suggested that bill savings could be achieved by repealing, or otherwise altering, ratepayer-funded energy efficiency programs. To the contrary, we respectfully urge you to consider the vital role that energy efficiency plays in California's clean energy future and in supporting the most marginalized members of our communities, including low- and middle-income households.

This letter provides information that we hope you will find valuable in informing your deliberations on legislative solutions to the ratepayer affordability crisis. We stand ready to work with you to find the appropriate balance of program offerings, as well as opportunities to improve existing programs to better meet today's energy needs.

Energy Efficiency Delivers Important Benefits Including Affordability

The Governor's Executive Order N-5-24 tasked the California Public Utilities Commission (CPUC) and the California Energy Commission (CEC) with, among other things, examining the benefits and costs to ratepayers of programs they oversee that may be unduly adding to rates or whose funding should more appropriately come from a non-ratepayer source. While the CPUC's report states that shifting programs could reduce rates minimally, it also cautions that repealing the programs would eliminate the benefits they provide. The data, as outlined below, actually show that energy efficiency programs provide myriad benefits and that repealing them would undermine affordability and the state's clean energy transition.

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- **Energy efficiency programs are a small and declining component of customer bills and are not driving up bills or exacerbating the affordability crisis.** The CPUC's report in response to Executive Order N-5-24 shows that energy efficiency was 1.5% of revenue collected from ratepayers in 2024.[1] This is down from 2.2% of revenue collected from ratepayers in 2023.[2] This is because energy efficiency revenues declined slightly while the revenue requirement of the investor-owned utilities (IOUs)[3] increased significantly from $39.6 billion to $54 billion. According to an independent analysis, energy efficiency program costs to ratepayers decreased by 32% on an inflation adjusted basis over the past 10 years.[4] California's programs are more cost-effective on a per customer basis than the programs in 39 other states.[5]

- **Energy efficiency is critical for California's world-leading clean energy transition.** In 2023 alone, energy efficiency programs helped Californians:
  - Avoid using 11,276 gigawatt-hours (GWh) of electricity,
  - Avoid using 153,559,891 therms of gas,
  - Shave 1.9 gigawatts (GW of demand, and
  - Avoid 11,353,046 tons of GHG emissions.
  - Combined, energy efficiency provided enough energy savings and environmental benefits to avoid over 11.3 million tons of GHG emissions, which is equivalent to the annual energy use of over 1.5 million homes.[6]

  These results are achievable because California law has long recognized energy efficiency as a key strategy for enacting the state's clean energy goals in an affordable manner. For example, California's loading order calls for energy efficiency as a priority resource to address electric demand, and the Clean Energy and Pollution Reduction Act of 2015 established the goal of doubling energy efficiency savings by 2030.[7] Beyond energy savings, EE programs also provide the training, support and education needed for workers and contractors to advance California's clean energy transition.

- **Statewide, energy efficiency is overwhelmingly cost-effective.** California's full ecosystem of EE programs is designed to meet both statewide goals and the needs of all customers. The CPUC evaluates EE spending and performance at the individual program, portfolio and collective statewide level. Under even the strictest cost-effectiveness tests, including the one referenced by the CPUC in its response to the Executive Order,[8] the statewide suite of EE programs is highly cost-effective.[9]

- **Energy efficiency is critical for maintaining a stable grid in an era of rapidly increasing demand for electricity.** The CEC estimates that total electricity consumption will increase by as much as 74%, and peak demand will increase by as much as 45%, by 2040.[10] Many ratepayer-supported energy efficiency programs help shave peak load through measures that enable demand response and load flexibility measures, making them vital tools for managing this substantial load growth. Importantly, the CEC's load forecasts, which are the basis for electricity procurement, assume at least 1.9 GWs in achievable energy efficiency savings. Without these programs, load serving entities (LSEs) will need to buy an additional 1.9 GW statewide to cover the shortfall, and those costs will be passed on to customers.

- **Many energy efficiency programs are designed to provide energy and bill savings to disadvantaged customers and communities.** Energy efficiency is one of the only tools customers can use to protect themselves against high rates, and energy efficiency helps to reduce power procurement costs and GHG emissions at the same time. If customers cannot reduce their usage through energy efficiency, they are more at risk of falling behind on their bills and even being disconnected. For example, the Energy Savings Assistance Program (ESA) serves exclusively low-income customers, but a significant portion of the non-income qualified energy efficiency portfolio also serves customers earning less than the area or statewide median income, rural customers, affordable multi-family housing, and small businesses.

- **Successful energy efficiency programs depend on reliable, predictable multi-year funding.** Funding certainty allows administrators to plan ahead with confidence, which h elps ensure that all customers can participate. It also improves cost-effectiveness by allowing for bulk purchasing, efficient use of administrative resources, and other economies of scale. Sustainable and reliable funding is also essential to support nearly 300,000 energy efficiency jobs and 53,000 EE businesses across California.[11] Neither the State General Fund nor the Greenhouse Gas

[1] CPUC, CPUC Response to Executive Order N-5-24, Table A-2, p. 31.
[2] CPUC, Table 1.1 (revenue requirement) and Table 5.1 (energy efficiency costs) from the 2023 California Electric and Gas Utility Costs Report, https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2024/2023-ab-67-report.pdf.
[3] The revenue requirement is the amount of money an IOU must collect from customers to pay for its costs.
[4] Edward Randolph and Michel Florio, What is Driving Up Electric Rates in California?.
[5] ACEEE, 2022 State Energy Efficiency Scorecard, available at: https://www.aceee.org/sites/default/files/pdfs/u2206.pdf, pp. 26 (CA highest for public benefits nationwide), 37-40 (ranked 40th and 24th for highest electric EE and gas EE spending nationwide).
[6] California Energy and Data Reporting System (CEDARS), 2023 Confirmed Claim Summary.
[7] Public Utilities Code Section 454.5 and Public Resources Code Section 25310.
[8] CPUC Response to Executive Order N-5-24, pp. 12-13.
[9] The CPUC measures EE portfolio cost-effectiveness with multiple tests including the Program Administrator Cost (PAC) test and the Total Resource Cost (TRC) test. In 2023, under the PAC test each dollar invested in EE produced $8 of benefits and under the TRC test each dollar invested in EE avoided $3 of otherwise necessary electric and gas costs. *See*, CPUC, CEDARS, 2023 Claims available at: https://cedars.cpuc.ca.gov/claims/all-confirmed-dashboard/ (2023 Claims, Portfolios, All Sectors).
[10] Peak demand refers to the time when statewide energy usage is highest, typically 4-9pm on summer days, and power is most expensive to supply during this time.
[11] E4TheFuture, Energy Efficiency Jobs in America 2023, available at: https://e4thefuture.org/wp-content/uploads/2023/10/Energy-Efficiency-Jobs-in-America-2023.pdf.

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Reduction Fund (GGRF) are able to provide the necessary funding certainty to sustain these valuable programs and ensure they remain cost effective.

Revisiting Energy Efficiency Metrics

While we firmly believe in the value of energy efficiency programs, we also recognize that any program can be improved and welcome the opportunity to do so through a fair and deliberative process. As part of its response to Executive Order N-5-24, the CPUC evaluated ratepayer costs and benefits of energy efficiency programs and concluded that opening a new energy efficiency proceeding that focuses on cost-effectiveness in 2025 is the optimal pathway and venue to further reduce ratepayer costs.[12] **We agree with the CPUC that opening a new energy efficiency proceeding is the best course of action to affirm that energy efficiency programs are meeting their intended goals.** The CPUC has already committed to opening a new proceeding later this year that will utilize a more modern lens to examine energy efficiency programs.[13] The CPUC is also creating a dashboard that will facilitate greater public and legislative oversight by visualizing program impacts. We are confident that the new energy efficiency proceeding is well suited to refine energy efficiency programs consistent with the legislature's commitment to energy affordability.

We look forward to working with you on solutions to the affordability crisis that preserve the state's energy efficiency programs to ensure they can be administered to reduce customer bills, benefit the neediest communities, play a role in supporting the clean energy transition, and help manage the state's growing load.

Sincerely,

Patrick Welch
Senior Legislative Manager
San Diego Community Power

Stephanie Chen
Director of Legislative Affairs
MCE

Joseph Desmond
Executive Director
California Efficiency + Demand Management Council

Merrian Borgeson
Policy Director, California
Climate & Energy Natural Resources Defense Council (NRDC)

Ayn Craciun
OC Policy Director
Climate Action Campaign

Art Taylor
Chief Strategy & Program Officer
Rising Sun Center for Opportunity

[12] CPUC, CPUC Response to Executive Order N-5-24, p. 18.
[13] CPUC, Decision (D.) 25-01-006, p. 5. The Commission recognized that "energy efficiency programs have evolved significantly since we opened R.13-11-005 in 2013" and that the new proceeding would have a modern focus that ensures "effective oversight of these energy efficiency programs moving forward."

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Energy Efficiency and Affordability

MYTH vs. FACT

MYTH

Energy efficiency programs are not cost-effective

FACT

The CPUC subjects energy efficiency program spending to several layers of cost-effectiveness analysis, including two most prominent tests: the Total Resource Cost (TRC) and Program Administrator Cost (PAC) test. Under even the strictest analytical framework, the statewide suite of EE programs is highly cost-effective. In 2023, the TRC test found that **each $1 invested in energy efficiency saved $3.30 in otherwise necessary electric and gas costs.** Under the PAC test, each $1 invested in energy efficiency produced **$8.11 in benefits.**

MYTH

Ratepayer energy efficiency programs are driving the energy affordability crisis.

FACT

Energy efficiency is a fraction of bills and declining. In 2024, **only 1.5% of customer bills went towards energy efficiency programs and these costs have declined by 32% over the past 10 years on an inflation adjusted basis**. In contrast, bundled electric rates for the three large IOUs increased between 73%-133% since 2012.

As the California Public Utilities Commission **explains**: "... the biggest drivers of rate increases: the growth in spending to address wildfire mitigation and the cost shift that results from legacy Net Energy Metering programs. Secondarily, energization and energy transition related investments in transmission and distribution infrastructure are also putting upward pressure on rates."

MYTH

Energy efficiency programs are a waste of money if they are not cost-effective.

FACT #1

Energy efficiency programs have resulted in tremendous benefits. In 2023, programs overseen by the CPUC collectively saved 11,276 gigawatt-hours (GWh), 153.5 million therms, and shaved 1.9 gigawatts (GWs) of demand, resulting in **avoidance of nearly 11.4 million tons of greenhouse gas (GHG) emissions. This is the equivalent to the energy use of over 1.5 million homes for one year**.

FACT #2

Energy efficiency programs are the only California energy programs that are examined for cost-effectiveness. Statewide, legislatively mandated programs are not subject to cost-effective tests, including the Renewables Portfolio Standard, the California Schools Healthy Air, Plumbing, and Efficiency Program (CalSHAPE), and the California Alternative Rates for Energy (CARE) and Family Electric Rate Assistance Program (FERA) programs that provide essential electric bill discounts to low-income families.

FACT #3

Some energy efficiency programs are intentionally designed to help customers and communities with the greatest needs, which inherently requires different program designs from market rate programs. **A "cost-effective above all else" approach risks widening the existing energy affordability and climate gaps for low-to-moderate income Californians.** The Legislature and many state agencies have consistently recognized the need for equity focused program rules to ensure investments reach historically underserved communities.

MYTH

There are non-ratepayer sources for energy efficiency programs.

FACT

The State General fund is volatile and already overcommitted. According to the Legislative Analyst's Office (LAO), the state faces annual multiyear deficits around $20 billion. The Greenhouse Gas Reduction Fund (GGRF) is also similarly volatile and there is current financial uncertainty. Additionally, federal funds for energy efficiency, including existing energy efficiency tax breaks and rebates, are experiencing shifts due to the new federal administration and much remains uncertain.

Funds for the majority of energy efficiency programs are collected at a regional level to fund locally-designed programs that are tailored to best meet the diverse needs of the customers in those communities. Funding these programs through rates allows administrators to plan with confidence, which helps ensure that all customers can participate. It also improves cost-effectiveness by allowing for bulk purchasing, efficient use of administrative resources, and other economies of scale.

Sustainable and reliable funding is also essential to support nearly 300,000 energy efficiency jobs and 53,000 energy efficiency businesses across California. Program administrators also often use energy efficiency programs as vehicles to stack other available incentives, meaning ratepayer energy efficiency programs help leverage other funding sources.

MYTH

Energy efficiency programs do not support safe and reliable service.

FACT

In 2023 alone, energy efficiency reduced peak electric demand by nearly 1.9 GW – this is more than 80% of the capacity provided by the Diablo Canyon nuclear power plant, which the Legislature and Governor adopted emergency legislation for, in orderto keep the plant online for an extra 5 years to help maintain grid reliability.

Energy efficiency programs evolve to meet state priorities, including safety and reliability. **Today's energy efficiency programs increasingly focus not just on reducing usage overall, but on reducing usage during peak demand hours when power is the most expensive and least clean.** Reducing peak usage supports grid reliability without needing to build new generation resources or transmission lines, which can take years or even decades to complete. According to the CPUC's data, every dollar spent on energy efficiency results in around $8.50 in total system benefit, including reliability and long-term GHG emissions reduction. Additionally, many energy efficiency programs are increasingly configured to enable the growth of virtual power plants, which further help shift load and reduce peak demand.

MYTH

Energy efficiency programs are optional.

FACT

For nearly 30 years, California has successfully used ratepayer funds to significantly reduce energy demand and provide greater grid reliability through various administrations, economic conditions, and technological developments. Today, as climate impacts intensify, grid reliability needs expand, and the increasing costs of distribution continue to raise energy bills, **the legislature should not abandon one of its most reliable levers to decrease and shift loads.**

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CAISO Demand & DEM Integration WG update

Modified Proxy Demand Resource (mPDR) Progress!

- The next WG session was held on 3/3
- CAISO provided an overview of its first discussion paper iteration
  - Intended to capture scoping discussions; will be updated to reflect stakeholder discussions
- Reviewed existing DR market participation models, metering & telemetry, and Performance Evaluation Methodologies (PEM)
- Stakeholder presentations
  - PG&E: Proposal to Revise DR Control Group Settlement Methodology
  - Nostromo: Creating the Right PEM for a Thermal Energy Storage System
  - Leapfrog Power: Prescriptive Baselines in CAISO
- Observations
  - CAISO appears open to refreshing existing products and/or creating new products for economic and reliability DR, incl. for WEIM/EDAM, and new PEMs
  - Need to start developing problem statements
- Next steps
  - Identify additional areas that would benefit from more information
  - Comments on discussion paper due 3/28
  - Next WG sessions are 3/19, 4/7, and 4/29

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Recent Filings

2025 Council Filings

March 17 – CEDMC and Leapfrog Power, Inc. Reply Comments on Resource Adequacy Track 3 Proposals

March 21 – Response to PfM of D.23-12-009 of Clean Energy Alliance, San Diego Community Power, and Mission:data Coalition

March 28 – CEDMC and Leapfrog Power Comments on Mar. 3 CAISO Demand & Distributed Energy Market Integration WG

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Discussion and Questions

CALIFORNIA Efficiency + Demand Management COUNCIL

Thank You!

Please contact us if you have any questions.

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